

**UMKHANDLU WASEKHAYA
IMPENDLE
LOCAL MUNICIPALITY**



2018/19 – 20120/21 DRAFT Budget

Prepared in terms of the Local Government: Municipal Management Act
(56/2003): Municipal Budget and Reporting Regulations

27 MARCH 2018

**DRAFT BUDGET FOR THE PERIOD 01 JULY
2018 TO 30 JUNE 2019**

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1. MAYORAL SPEECH

Introduction

Since our election into office in August 2016 our municipality has gone through major challenges both at a political and administrative level. I am proud to say that challenges faced in previous years have been resolved. This is also testament to fact that for the past five years, the municipality has been receiving unqualified audit opinions from the Office of the Auditor General.

Our major goal is to achieve an unqualified audit opinion without any matters of emphasis. This will thus bear that municipality has moved towards the attainment of the objects of local government as enshrined in the constitution.

I am delighted that through hard work and dedication on the part of council members, management, staff and provincial authorities Impendle Local municipality is able to table the adjusted annual budget and on time. Notwithstanding, it has to be acknowledged that the 2018/19 budget is tight with the increase of VAT from 14% to 15%, this calls for wise spending. It is vulnerable to slight market changes such as fuel increases, salary and other increases.

Public Participation

We have visited all stakeholders even those in remote areas as promised in the previous budget and IDP process during the annual budget process. Already we've had consultative meetings with all property owners on property rates as well as the IDP. The adjusted budget will be advertised widely in the press, the website and on our notice boards. The active involvement of our ward committees in the public participation process last year and during the course of mid-year 2017/2018 was commendable. We have to further intensify the involvement of ward committees in the budget and IDP processes as this would continue to entrench participatory democracy in our communities.

2018/19 OPERATING REVENUE

Revenue Property rates

- Property Rates budget has increased from R4.8 million to R5.1 million, which is in line with CPI, property rates are made up of rated properties as per the valuation roll.

Service Charges

- Service Charges budget relate to refuse removal for customer within the village. This has increased by 5.5% in line with CPI.

Rental of Facilities and Equipment

- Rental of facilities and equipment relate to space leased by government departments in Thusong Centre and rental of Community Halls. This has decreased by 5.7% which is based on the performance of this budget line item during 2017/18.

Interest on Investments

- Interest on investments include interest received from primary accounts as well as short term investments. The budgeted amount for this items has increased by 23% which suggest that all surplus funds will be invested for good returns.

Interest on outstanding Debtors

- Interest on outstanding debtors budget has increased from R361 thousand to R363 thousand, this include rates and refuse removal debtors, this has been increased by 1%.

Fines, Penalties and Forfeits

- Fines and penalties budget includes collections not anticipated from Magistrates Court on duties performed by the South African Police Service. –

Licences and Permits

- Licenses and Permits relates to business licenses and taxi rank permits by the local association. This has decreased by R52 thousand from R88 thousand.

Agency Services

- Agency services budget has been increased from R50 thousand to R105 thousand.

Transfers and Subsidies

- Transfers and subsidies has increased from R36,67 million to R37,582 million which is largely made up of operating conditional grants and equitable share.

Other Revenue

- Other revenue has decreased from R726 thousand to R106 thousand, this revenue includes revenue from sale of tender documents, clearance certificates etc.

2018/19 OPERATING EXPENDITURE

Employee Related Costs

- Employee costs budget has increased from R1.3 million which is an average increase of 5%, salary wage agreement has not been finalised as yet. These costs includes salaries which are funded by grants.

Councillors Remuneration

- Councillors remuneration has been increased by 5%, which is in line with inflation.

OTHER OPERATIONAL EXPENDITURE

Debt Impairment

- Debt impairment relates to long overdue customer accounts over 90 days. It is a non-cash item and is budgeted at a rate being the difference of the cash the municipality intends to collect and none collectable, this has been increased by 5%

Depreciation and asset impairment

Depreciation budget has increased by 5%, which relates to the depreciation of existing and new assets to be acquired.

Finance Changes

- These relate to interest on ABSA loan and are reasonably budgeted for.

General expenditure

General Expenditure has increased from R11 694 thousand to R16 394 which is largely due to increase in contracted services, Free Basic electricity and other expenditure as listed on SA1 supporting schedule.

CASH FLOW

- It is estimated that the municipality will collect at least 55% of property rates income during 2018/19 financial year, this include debtors that are billed once per annum. The municipality has embarked on different collection strategies which include utilising the provisions of the MFMA in full to collect outstanding monies from customers. In relation to the state debt, the municipality has engaged all state departments and some have verified their properties while some are busy with the verification process and trusting that it will yield dividends in collecting long outstanding debt from national government.
- 80 percentage point has been benchmarked for Service Charges-Refuse removal as it must be borne in mind that the only place where refuse is billed and money collected is the Village.
- Operational and Capital DoRA allocated grants will be received in full from National and Provincial Treasury.
- We are also expecting VAT refund to the value of R1.8 million.

Conclusion

In conclusion I wish to state that this Draft Annual Budget Speech represents as an Executive Summary of our municipality's 2018/19 to 2020/2021 Financial Years Adjusted Draft Budget and captures only key factors. Details are distributed with the Budget Report and it is presumed that all members of this Council have acquainted themselves with details thereof.

On behalf of the people of Impendle, I move that the Draft Annual Budget of Impendle Local Municipality for the year 2018/2019 Financial Year and the outer years for 2019/2020 to 2020/2021 Financial Years be accepted as tabled.

I thank you

2. VISION AND MISSION STATEMENT

2.1 Vision

By the year 2018, the Impendle Municipality would have provided the majority of the people and households in Impendle with sustainable access to their social and economical development needs and basic services in a fully integrated manner and within a safe and healthy environment.

2.2 Mission

Through the integrated development plan and the Batho Pele principles Impendle Municipality will strive for the realisation of the Council vision.

3. COUNCIL MEMBERS

3.1 The municipality is of the type that does not have an Executive Committee. The Council consists of 7 members

- HW Cllr SG Ndlela Speaker/Mayor
- Cllr DS Dlamini
- Cllr RT Memela
- Cllr NG Mvelase
- Cllr PP Mtolo
- Cllr KM Dlamini
- Cllr MN Ngubane

4. MANAGEMENT COMMITTEE

- Mr OV Kunene – Municipal Manager
- Ms GS Ngcobo – Manager: Corporate and Community Services
- Mr ZC Tshabalala – Manager: Infrastructure and Planning Services
- Mrs SZ Soji – Acting Manager: Budget and Treasury (Acting Chief Financial Officer)

5. PROCESS FOLLOWED

- Council adopted budget process plan in August 2017
- The Mayor established a Budget Steering Committee in terms of section 4 chapter 2 of Government Gazette No. 31804
- Management and Mayor met to compile this draft annual budget on the in March 2018 on numerous occasions.
- Expenditure items were budgeted per item and vote planning per department.
- DORA allocations from both National and Provincial Treasuries were used to determine the 2018/19 annual allocations to Impendle LM for the adjusted annual budget.
- Council approved the draft annual budget on the 27th March 2018 and thereafter after the IDP/Budget roadshows will follow in April and May 2018.
- Comments and inputs from all stakeholders will be incorporated to the final budget.
- The budget steering committee will meet in April and May 2018 to deliberate on the budget and inputs from different stakeholders.

- After considering all inputs, the annual budget was revised and tabled before Council in May 2018 for approval.
- In year monitoring was compiled through submission of S71 report per MFMA.
- The S72 Mid-Year Budget Assessment and Performance was then compiled and submitted to Mayor on the 25th January 2018 and then to Council for adoption.
- Budget Steering Committee met to discuss the adjusted budget on several occasions.
- After considering all inputs, the adjusted annual budget was revised and tabled before Council on the 27th February 2018 for approval.

6. FOCUS AREAS

The draft annual budget focuses on the following priorities as identified in the IDP:

- Implementation of Municipal Property Rates Act
- Upgrading or construction of Access Roads
- Improvement of Public participation
- Support for Local Economic Development initiatives
- Provision of Free Basic Services
- Development of Human Capital (internally within the municipality and externally in partnership with the Dept of Education and other relevant Stakeholders)
- Upgrading of information and communication systems (internally in the municipality and externally through service providers)
- Electrification Programme

8. EXECUTIVE SUMMARY OF DRAFT BUDGET FOR THREE CONSECUTIVE YEARS

BUDGET EXECUTIVE SUMMARY

R thousands	2017/18 ADJUSTEMENT BUDGET	DRAFT BUDGET 2018/19	DRAFT BUDGET 2019/20	DRAFT BUDGET 2020/21
TOTAL REVENUE	61 320 000	56 564 548	62 526 799	69 166 200
TOTAL OPERATING EXPENDITURE	-55 266 000	-59 685 197	-65 086 008	-71 797 183
TOTAL CAPITAL EXPENDITURE	-17 719 000	-11 867 000	-11 719 000	-12 124 000
SURPLUS(DEFICIT) FOR THE YEAR	-11 665 000	-14 987 649	-14 278 209	-14 754 983

Total operating revenue has decreased by 7.8 per cent or R4.8 million for the 2018/19 financial year when compared to the 2017/18 Adjustments Budget. For the two outer years, operational revenue will increase by 10.5 and 10.6 per cent respectively, over the MTREF.

Description	Current Year 2017/18	2018/19 Medium Term Revenue & Expenditure Framework					
	Adjusted Budget	Budget Year 2018/19	%	Budget Year +1 2019/20	%	Budget Year +2 2020/21	
R thousand							
Revenue By Source							
Property rates	4 878	5 171	11%	5 481	11%	5 810	10%
Service charges - refuse revenue	73	77	0%	82	0%	86	0%
Rental of facilities and equipment	684	645	1%	680	1%	717	1%
Interest earned - external investments	700	864	2%	912	2%	962	2%
Interest earned - outstanding debtors	361	363	1%	367	1%	370	1%
Fines, penalties and forfeits	1	44	0%	47	0%	50	0%
Licences and permits	88	36	0%	38	0%	40	0%
Agency services	50	105	0%	111	0%	117	0%
Transfers and subsidies	36 067	37 582	84%	42 359	84%	48 117	85%
Other revenue	726	106	0%	111	0%	115	0%
Total Revenue (excluding capital transfers and contributions)	43 628	44 993	100%	50 187	100%	56 384	100%

R thousand	Adjusted Budget	Budget Year 2018/19	%	Budget Year +1 2019/20	%	Budget Year +2 2020/21	%
Expenditure By Type							
Employee related costs	26 149	27 485	47%	28 954	46%	30 546	46%
Remuneration of councillors	2 407	2 532	4%	2 684	4%	2 845	4%
Debt impairment	3 078	3 238	6%	3 432	6%	3 638	6%
Depreciation & asset impairment	8 587	9 059	15%	9 557	15%	10 083	15%
Finance charges	152	92	0%	97	0%	102	0%
Contracted services	2 935	5 200	9%	5 846	9%	6 038	9%
Transfers and subsidies	3 200	3 366	6%	3 568	6%	3 782	6%
Other expenditure	8 759	7 828	13%	8 242	13%	8 679	13%
Total Expenditure	55 266	58 800	100%	62 381	100%	65 714	100%
Surplus/(Deficit)	(11 638)	(13 808)		(12 194)		(9 330)	

CAPITAL EXPENDITURE

KZN224 Impendle - Table A5 Budgeted Capital Expenditure by vote, functional classification and funding

Vote Description R thousand	Current Year 2017/18	2018/19 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Capital expenditure - Vote				
Single-year expenditure to be appropriated				
Vote 1 - Executive and Council	–	–	–	–
Vote 2 - Budget and Treasury Office	–	–	–	–
Vote 3 - Infrastructure and Planning	11 872	11 822	11 719	12 124
Vote 4 - Community and Social	5 847	–	–	–
Capital single-year expenditure sub-total	17 719	11 822	11 719	12 124
Total Capital Expenditure - Vote	17 719	11 822	11 719	12 124

Capital Expenditure has decreased from R17.7 million to R11.8 million, the decrease is due to no infrastructure projects funded by provincial government. The allocation for the 2018/19 financial year only relates to MIG transfers and other movable assets funded either own revenue.

9. DoRA ALLOCATIONS FOR 2017/18 FINANCIAL YEAR OPERATING GRANTS

Operating grants and transfers totals R37.5 million in the 2018/19 financial year and steadily increases to R51.3 million by 2020/21. The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

Operating Transfers and Grant Receipts			
Description	Medium Term Revenue & Expenditure Framework		
	2018/19	2019/20	2020/21
Receipts			
<u>Operating Transfers & Grants</u>			
National Government:			
	35 709 000	40 388 000	49 220 000
Financial Management Grant - (FMG)	1 900 000	2 365 000	2 365 000
Local Government Equitable Share	32 649 000	35 023 000	40 455 000
Expanded Public Works Programme Integrated Grant	1 160 000	0	0
Integrated Electrification Programme (INEP)	0	3 000 000	6 400 000
<u>Provincial Government:</u>	1 873 000	1 971 000	2 074 000
Provincialisation of Libraries	1 676 000	1 760 000	1 848 000
Community Library Services Grant ICT	197 000	211 000	226 000
TOTAL OPERATING TRANSFERS & GRANTS	37 582 000	42 359 000	51 294 000

Capital Transfers & Grants

Municipal Infrastructure Grant (MIG)	11 572 000	11 719 000	12 124 000
Capital Grants	11 572 000	11 719 000	12 124 000
Totals	49 154 000	54 078 000	63 418 000

10. DRAFT BUDGET RESOLUTIONS

To be attached as an extract from Council Minutes of a meeting to be held on 27th March 2018.

11. TARIFF OF CHARGES

The proposed Impendle Municipal tariff charges are attached hereto as an annexure as amended in line with 2018/19 budget increase.

12. FUNCTIONAL DRAFT ANNUAL BUDGETS & SDBIP'S

The Draft Annual Service Delivery and Budget Implementation Plan (SDBIP) for 2018/19 to 2020/21 MTERF is as follows:.

13. ANALYSIS SUPPORTING THE DRAFT BUDGET

2018/19 Functional Classification	Annual Revenue Budget	Annual Expenditure Budget
Executive and Council Services	R8 162 250,00	R9 403 431,99
Planning and Infrastructure Services	R20 974 238,67	R18 443 159,25
Corporate and Community Services	R2 002 104,00	R737 680,00
Financial Services	R25 425 954,66	R41 303 889,68
TOTAL	R56 564 547,33	R69 888 160,91

2018/19 TOTAL REVENUE BUDGET	GFS % OVERALL BUDGET	Annual Revenue Budget
Executive and Council Services	14%	8 162 250,00
Planning and Infrastructure Services	37%	20 974 238,67
Corporate and Community Services	4%	2 002 104,00
Financial Services	45%	25 425 954,66
TOTAL	100%	R56 564 547,33

2018/19 TOTAL EXPENDITURE BUDGET	GFS % OVERALL BUDGET	Annual Expenditure Budget
Executive and Council Services	13%	R9 403 431,99
Planning and Infrastructure Services	26%	R18 443 159,25
Corporate and Community Services	1%	R737 680,00
Financial Services	59%	R41 303 889,68
TOTAL	100%	R69 888 160,91

14. FISCAL OVERVIEW

In order to counter the ever rising inflation rate we have either decreased or increased the municipal revenue and expenditure accordingly. Property rates and tariffs have increased using the legislated formulae incorporating the necessary MPRA Section 17 rebates and the municipal policy deductions as reviewed. The municipality does not anticipate conditional grants that would not be spent by the end of June 2018.

Stringent measures need to be undertaken by the municipality to curb any possible withdrawals as well as expedite service delivery to the community of Impendle.

15. INVESTMENTS

Conditional grant funds are invested on call accounts and utilised when required. Currently Call accounts have been opened with ABSA, Standard Bank and NED Bank to keep each and every conditional grant separately from the municipal primary account. All receipts and payments are made to and from the municipal primary account. These will be closed off on the 30th June 2018 and should there be unspent conditional grants by the 1st July 2018, new call accounts will be opened with the financial institutions offering a better rate of interest.

No	Bank	Account Number
1	NedBank	037881012463000021
2	Standard Bank	636864901
3	Standard Bank	636863484
4	Standard Bank	636863476
5	Standard Bank	258541326-004
6	ABSA	9280671957
7	ABSA	9286205518
8	ABSA	9287282125
9	ABSA	9287813716
10	ABSA	9286914797
11	NedBank	037881012463000023
12	NedBank	037881012463000024
13	NedBank	037881012463000025
14	NedBank	037881012463000026
15	NedBank	037881012463000027
16	NedBank	037881012463000028

16. DRAFT ANNUAL BUDGET & REVENUE RELATED POLICIES AND PROCEDURES

The following policies were presented to council for review on 30th March 2017 where council took a resolution and approved the financial policies which are as follows:

- Assets Management Policy
- Credit Control and Debt Collection Policy
- Indigent Policy
- Banking and Investment Policy
- Supply Chain Management Policy
- Tariff Policy
- Subsistence and Travelling
- Budget Policy
- Anti- Corruption Policy

- Petty Cash Policy
- IT Policy
- Accounting Policy
- Property Rates Policy
- Rates By-Laws
- Write-Off's Policy
- Virement Policy
- Travel Allowance

17. COUNCILLOR ALLOWANCES FOR 2018/19 DRAFT BUDGET

Councillor	Annual Package	Other Allowances	Mobile Data Card	Total Remuneration
Mayor/Speaker	807 753	67 313	3 600	811 353
Councillor	283 220	23 602	3 600	286 820
Councillor	283 220	23 602	3 600	286 820
S79 Chairperson	283 220	23 602	3 600	286 820
Councillor	283 220	23 602	3 600	286 820
Councillor	283 220	23 602	3 600	286 820
Councillor	283 220	23 602	3 600	286 820
TOTAL	2 507 078	285 600	25 200	2 532 273

Councillor's salaries were calculated by utilising packages obtainable from latest Notice issued by the Minister of Provincial and Local Government in March 2017. These allowances have taken into effect the 6% inflationary increase.

18. SECTION 57 EMPLOYEES PACKAGES FOR 2018/19 DRAFT BUDGET

Position	S55 & S56 Annual Packages
Municipal Manager	1 216 703
Manager: Financial Services (CFO)	998 977
Manager: Infrastructure & Planning	998 977
Manager: Corporate & Community	998 977
Total	4 213 634

Sec54 and Sec56 employee salaries were budgeted at inflationary increment of 6% on the annual budget. The Adjustment budget has considered the new Senior Management upper limits and have been approved by Council with effect from July 2018.

19. NATIONAL REPORTING FORMS TO SUPPORT THE BUDGET

Circular 89 forms are all attached herewith.

20. WAY FORWARD

The municipality has to intensively embark on a program to improve its revenue. At present the municipality is largely funded by grants received from Provincial & National transfers. The implementation of the Municipal Property Rates Act is costing the Municipality more money than what the municipality can collect.

21. CLOSURE

Impendle Local Municipality has critical resource constraints which if not addressed may strain the administration of the municipality in the short term.

I thank you

22. ANNEXURES

Item Number	Item
1	Draft Budget Analysis with Mayoral Speech
2	Circular 89
3	Draft Budget related Council Resolutions
4	Annual Budget Quality Certificate
5	Annual Budget A Schedules
6	2018/19 Tariffs
7	Draft Service Delivery and Budget Implementation Plans
8	Municipal Budget Related Policies
9	Electronic and hardcopy versions of above schedules and annexure's
10	Other Supporting Budget Annexures/Calculations